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SUBJECT Chinese Communist Import and Export Policy and Foreign Trade Situation

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1. As of mid-1950, except for a few new rulings, the customs import tariff which became effective in August 1948 and the customs export tariff of 1934 were still in force in China. A special committee appointed by the Financial and Economic Committee was studying the subject in line with a new protective customs policy which had already been drawn up.
2. The new customs policy on imports was based on the following principles:
 - a. Low duty rates or exemption from duty on imports of capital goods, industrial raw materials, agricultural machinery and tools, grain seeds, and fertilizers.
 - b. Low duty rates on scientific literature, medicines, and pharmaceuticals.
 - d. Duty rates to bring prices to the local price level on industrial and semi-finished goods produced on a large scale locally or which could be produced on a large scale.
3. The new customs policy on exports was based on the principle of a very low duty or exemption of duty on semi-finished goods and processed raw materials.
4. There were three foreign trade control bureaus: the North China, East China and South China Foreign Trade Control Bureaus. Each, while following the government's trade policy, often adopted different measures.
5. In 1950, to stimulate exports, the Chinese Communist government eliminated all export duties. The government bank encouraged exports by granting loans to exporters with which they could pay for the purchase of products for export; loans sometimes included transportation expenses to the port. Railways reduced freight charges and gave priority to cargo for export. Wharfage fees on articles for export were cut in half. To prevent exporters from taking advantage of low domestic prices of certain articles, the government set a minimum selling price and refused to issue export licenses on articles to be exported at lower prices.

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6. The following examples show how the government was controlling exports. Although the government had a monopoly on the export of bristles, tung oil, fur and hides, beans, and metal ores, private exporters, because of their foreign connections, were permitted to export these items for the government at a commission rate of from 1 to 5 percent. Because of a surplus production of oils and oil materials such as ocean oil, cotton seed oil, peanut oil, and peanuts, the North China Foreign Trade Control Bureau released them from government monopoly control as of February 1950. Because of short supply, export of the following articles was banned: bran, sheep's wool, and buffalo and cow hides. To prevent a shortage, export of cotton seed cakes, linseed cakes, and peanut cakes was limited. Export of all military resources was prohibited. Prohibited exports include food, raw cotton, iron, gold, silver, and live cattle. The government maintained export monopolies on wolfram, antimony, tin, and all mineral ores.
7. To control imports the government classified imports as permissible, especially permissible and prohibited. Industrial and capital goods and essential raw materials were placed in the first category, articles for national defense and state operated enterprises in the second, and non-essential articles in the third. To stimulate imports of required articles, duty charges were cut in some instances. For instance, raw cotton, insecticides, scientific literature, and materials for scientific experimental purposes were exempted. The 65 to 80 percent duty rate on linen, muslin, and organdy for the drawn-work industry and on lamps used for industrial purposes was reduced to from 15 to 25 percent. The duty rate was increased to from 65 to 80 percent from the old rate of 40.5 to 50 percent on wire nails, storm lamps, and other articles which could be produced locally and for which there was a small demand.
8. Prohibited imports included caustic soda, cigarette paper, carbon sticks, alcohol, galvanized iron wire, potassium chloride, newsprint, plaster of Paris, and sulphur because these articles could be produced in China in sufficient quantities. Items prohibited as non-essentials were cosmetics, nylon products, alcoholic beverages, and canned goods. Limited imports included cotton and silk textile goods, marine products, matches and cigarettes, as there was a domestic supply of these articles. In early 1950, Soviet-made matches and cigarettes were found in large quantities in North China cities.*
9. For the first half of 1950, foreign trade for all of China amounted to JMF 9,191,600 million, 57.3 percent of which was for exports and 42.7 percent for imports.
10. Since most of China's foreign trade in 1949 went through the port of Tientsin, figures on Tientsin's* trade during 1949 are illustrative of the Chinese Communist trade policy. The following import percentages on articles composing the bulk of imports for the periods listed show the change in emphasis on imports of various commodities under the Communists:

	<u>China-1936</u>	<u>China-1947</u>	<u>Tientsin-1949</u>
Textiles and textile products	11.3	24.7	14.3
Metals and metal products	28.4	25	32.1
Chemicals and dyestuffs	9.9	10.7	20.8
Oils, tallow, and wax	11.2	15.5	6.8
Foods, drinks, medicines, tobacco	13.9	7.5	2.3

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11. During 1949, Tientsin's total foreign trade amounted to JYP 333,303 million. Exports totaled JYP 189,527 million and imports JYP 144,276 million, a difference of JYP 45,251 million of exports over imports.

12. Tientsin's main exports for 1949 were as follows:

	<u>Quantity</u>	<u>Percent of Total Value</u>
Egg products	24,724 quintals	14.11
Carpets	19,243 "	8.85
Sheep's Wool and fur	2,093,654 kilograms	6.61
Straw braids	8,573 quintals	6.13
Straw hats	645,633 pieces	4.11
Salt	500,961 quintals	3.85
Medicinal herbs	45,635 "	3.67
Peppermint	43,954 kilograms	3.67
Bristles	360,637 "	3.37
Kernels	16,772 quintals	3.11
Intestines and casings	2,271 "	2.74
Vermicelli and macaroni	16,702 "	2.33
Chestnuts	27,910 "	2.11
Peanuts	33,184 "	1.57

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13. [] all sorts of exports were piling up in the warehouses of Tientsin as a result of the embargo and Communist counter-measures. The export items included huge stocks of soybeans, bristles, peanuts, castorseed, linseed, and dried eggs. Foreign businessmen in Tientsin are anxious to obtain connections with European buyers in order to be able to deal in sterling or Swiss francs. Trade will quickly orient itself to Europe.

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* [] Comment. [] reported a surplus of matches in Tientsin in 1950.

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** [] Comment. It is improbable that these exports will easily find outlets in Europe.

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